

Exhibit B

5_20_2005 United Hearing Transcript.txt

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1 IN THE UNITED STATES BANKRUPTCY COURT
2 FOR THE NORTHERN DISTRICT OF ILLINOIS
3 EASTERN DIVISION
4 In re:)
5 UAL CORPORATION, et al.,) No. 02 B 48191
6) Chicago, Illinois
7 Debtors.) May 20, 2005
8) 9:30 a.m.

9 TRANSCRIPT OF PROCEEDINGS BEFORE THE
10 HONORABLE EUGENE R. WEDOFF

11 APPEARANCES:

12 MR. JAMES SPRAYREGEN

13 MS. LESLIE BAYLES

14 MR. TODD GALE

15 MR. DAVID SELIGMAN

16 MR. ERIC CHALUT

17 MR. JEFFREY GETTLEMAN

18 MR. ALEX DIMITRIEF

19 on behalf of the debtors;

20 MR. STEPHEN WOLFE

21 on behalf of the United States Trustee, Mr. Ira
22 Bodenstein, as a member of the fee review committee;

23 MR. FRANK CITERA

24 MR. MATT GENSBURG

25 on behalf of the city of Chicago;

MR. JOHN MENKE

on behalf of the PBGC;

MS. BABETTE CECCOTTI

on behalf of the Air Line Pilots Association;

MR. JACK CARRIGLIO

on behalf of the retired pilots;

MR. RONALD R. PETERSON

on behalf of the KBC Bank;

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1 MR. WILLIAM BARRETT

2 on behalf of Environmental Resource Management;

3 MR. DON MACHALINSKI

4 on behalf of USAIG;

5 MR. HILLARD STERLING

6 on behalf of OurHouse;

7 MR. KURT CARLSON

8 on behalf of Ace Hardware;

9 MR. ANDREW ROSENMAN

10 on behalf of UAL Loyalty Services;

11 MR. PAUL SLATER

12 on behalf of the creditors committee;

MS. SHARON LEVIN

on behalf of the IAM;

MR. JAMES SPIOTTO

on behalf of the Bank of New York and wells Fargo as

5_20_2005 United Hearing Transcript.txt

12 emerge and stay out of bankruptcy as a viable and
13 competitive enterprise.

14 THE COURT: Okay. Well, that goes to the
15 merits of the motion. The other point that's raised
16 by IAM is the question of the relief that would be
17 accorded in the event that the motion is granted.
18 IAM has made the point that the statute does not
19 appear on its face to allow the court to enter an
20 order authorizing but not actually implementing the
21 rejection of a collective bargaining agreement. And
22 I need to hear your response to that point as well.

23 MR. DIMITRIEF: Your Honor, the court in
24 the U.S. Airways bankruptcy in granting the motion
25 for rejection also granted authority to reject.

0099 1 THE COURT: Was the matter argued in that
2 court?

3 MR. DIMITRIEF: Your Honor, I'm not sure
4 that it was. I just know what the order says.

5 THE COURT: Okay. Well, if all that Judge
6 Mitchell did was enter an agreed order or enter an
7 order, the form of which was not opposed, having made
8 the findings that he made, I don't think that that
9 would stand as precedent for appropriate
10 interpretation of 1113.

11 MR. DIMITRIEF: But as I understand it,
12 Your Honor -- and not having been counsel there, I am
13 just piecing it together from the record as best as I
14 can. As I understand what happened in the U.S.
15 Airways case, there was an offer that was going out
16 for a vote, and the authority to reject was granted
17 pending the completion of that ratification vote.
18 And so it was the same sort of --

19 THE COURT: Okay. The point I'm trying to
20 make is we're dealing here with a question of
21 statutory construction. Does Section 1113 by its
22 terms permit a court to enter an order that merely
23 authorizes a rejection by the debtor as opposed to
24 finding that a collective bargaining agreement is
25 rejected. And if that point was not argued before

0100 1 Judge Mitchell, the order that he entered would not
2 be of any persuasive authority as to how 1113 ought
3 to be interpreted.

4 Now, I look at 1113 and it says that
5 rejection can only be accomplished according to the
6 terms of 1113, and that's in 1113(a). And then I see
7 that in 1113(b) through (d) there is discussion only
8 of an application for rejection, not for authority to
9 reject. So if there is going to be statutory
10 authorization, I think it's going to have to be
11 something that apparently is not on the face of 1113.
12 And if that's not correct, I would like to know what
13 your argument is to the contrary.

14 MR. DIMITRIEF: Well, Your Honor, I think
15 that our argument is that under -- that 1113(c)
16 doesn't foreclose this court from granting authority
17 to reject under specified terms, such as a certain
18 time period after the court's ruling. What I would
19 suggest, Your Honor, is that consistent with the
20 overall structure that Your Honor has imparted to
21 1113(c), and how 1113(c) is designed to motivate
22 parties to settle, that a sensible construction of
23 1113(c) is to say that the court can enter a ruling

5_20_2005 United Hearing Transcript.txt

24 and, in effect, give the parties one last chance, in
25 view of the court's ruling, to reach a consensual

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1 agreement or compromise before that ruling takes
2 effect. And, Your Honor, that's all we're asking for
3 here. We aren't asking for an unlimited right to
4 just put this in our hip pocket and carry it around
5 for the next couple of months.

6 Just to clarify our request, all we
7 are asking is that the court grant our request for
8 relief, but not grant it in a way that it immediately
9 becomes effective, but gives the debtors and the IAM
10 a final opportunity in light of that order to reach a
11 consensual agreement.

12 THE COURT: Okay. The statute requires
13 that any ruling on the application be made within 30
14 days of the commencement of the hearing. That would
15 be June 10. If you're suggesting that I could issue
16 a ruling that wouldn't be effective until after
17 June 10, I think that could reasonably be seen as
18 contradicting the statute.

19 MR. DIMITRIEF: That's not at all what
20 we're asking for, Your Honor. And, in fact, that
21 illustrates what we're not asking for. We aren't
22 asking for something until June 10th. At a minimum,
23 Your Honor, in terms of outside parameters, May 31st
24 would be what we would request because that's when
25 the 1113(e) relief runs out.

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1 But, Your Honor, we don't intend to
2 wait until then either. I mean, what we would really
3 like is after we get guidance from the court is to
4 sit down and take one last chance at trying to
5 resolve this consensually. And we're prepared to do
6 that the very hour after Your Honor rules. So we're
7 not asking for an indefinite delay. We're not
8 saying, okay, give us the right to reject and then
9 let us use that as negotiating leverage for the next
10 month. We're talking about asking Your Honor to set
11 the stage for a final push towards a consensual
12 resolution. And we're willing to accept whatever
13 time parameters Your Honor would put on that to allow
14 the parties to do that final push, something along
15 the lines of what was entered in the U.S. Airways
16 case.

17 THE COURT: Okay. Thank you, Mr.
18 Dimitrief.

19 MR. DIMITRIEF: Thank you, Your Honor.

20 THE COURT: Go ahead, Ms. Levine.

21 MS. LEVINE: Thank you, Your Honor. Your
22 Honor, very briefly, Your Honor has obviously sat
23 through substantial testimony and you heard the oral
24 argument at the opening, so just by way of summing up
25 briefly.

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1 THE COURT: There wasn't supposed to be an
2 argument at the opening, but it may very well have
3 been.

4 MS. LEVINE: The oral argument presented as
5 part of the opening statements. I didn't mean today,
6 I meant at the opening of the trial.

7 THE COURT: No, no, no. I'm just
8 reflecting the usual trial practice admonition that
9 an opening statement ought not to be an argument.

5_20_2005 United Hearing Transcript.txt

16 leave open right now, unless you've got authority
17 that you want to address to that issue.

18 MS. LEVINE: Well, it's only that the
19 debtors -- the fifth element under 1113(c) as
20 developed by the case law is that the debtors must
21 provide the union with relevant information as is
22 necessary to evaluate the Section 1113(c) proposal.
23 And that's been interpreted to include all kinds of
24 financial disclosures, as well as business model
25 disclosures, as well as the types of information that

0121 1 companies rarely distribute to anybody other than
2 perhaps their lenders.

3 THE COURT: Okay.

4 MS. LEVINE: All right. So this type of
5 information is the very type of information on a
6 critical point. It's even more relevant than some of
7 the other information that we got from the debtor in
8 the cartons and cartons of documents that were
9 provided to us because this type of information
10 absolutely prevented us from addressing what the
11 debtor and the PBGC were articulating as their very
12 concerns over the problem we were trying to solve.

13 THE COURT: All right.

14 MS. LEVINE: Your Honor, one last point. I
15 would like to note that the company has also implied
16 that the IAM perhaps is not negotiating in good faith
17 and that that somehow impacts the company's
18 obligation to negotiate in good faith.

19 THE COURT: I don't recall hearing that
20 argument made.

21 MS. LEVINE: I just want to address the
22 fact that the IAM during the course of these
23 negotiations has been trying to reach a tentative
24 agreement with the company, but, in addition to that,
25 has offered at various points in time to take out the

0122 1 current proposal that the company has had on the
2 table for ratification vote. And the company -- and,
3 in fact, as I stand here today, it would take out the
4 company's proposal for a ratification vote.

5 THE COURT: But without a recommendation.

6 MS. LEVINE: But without a recommendation.
7 And the company, Your Honor, has declined despite the
8 fact that the company says that it has made the
9 argument that this actually --

10 THE COURT: Okay. You know, I really don't
11 want to get into what the back and forth is in the
12 negotiations right now. And, again, I did not
13 understand United to be arguing that IAM has been
14 negotiating in bad faith.

15 MS. LEVINE: Your Honor, as a last point, I
16 just would like to address the issue of what this
17 statute authorizes in terms of an actual ruling.

18 THE COURT: You don't need to. I agree
19 with you.

20 MS. LEVINE: Thank you, Your Honor.

21 MR. DIMITRIEF: Your Honor, I think your
22 last comment just shortened my rebuttal a little bit.

23 THE COURT: Well, just to make it clear,
24 Mr. Dimitrief, I believe that the only order that
25 1113 allows the court to enter in this connection is

0123 1 an order granting an application for rejection of a

5_20_2005 United Hearing Transcript.txt

collective bargaining agreement. Now, it may be possible to delay the effective date of that order, but I don't believe it would be possible to delay the effective date of that order beyond the 30-day period from the commencement of the hearing on rejection.

MR. DIMITRIEF: I understand that, sir. And I guess what I would say is that what we intended to do was make our application one that would give us the authority to reject, and I'll reiterate to the court today, within a reasonable period of time after a ruling.

THE COURT: Okay. Well, I just don't agree that that's a potential outcome under 1113.

MR. DIMITRIEF: And I guess that what's important for us for the court to understand is that we ask for this not as negotiating leverage, but as one final opportunity before the order becomes effective to try to reach a consensual resolution, that's all.

THE COURT: Well, I think one of the important limitations of 1113 is that a debtor in seeking rejection of a collective bargaining agreement has to be willing to live with the consequences of a rejection if that rejection is

ordered. And so if the debtor is not certain about whether it really wants to have the collective bargaining agreement rejected, it ought not to make the application. And so merely giving the debtor an option of rejecting or not rejecting does not exist under 1113 as I read it.

MR. DIMITRIEF: Well, Your Honor, I apologize for belaboring the point. But remember that we've said all along that we would prefer a consensual agreement. So moving for rejection doesn't mean that the defendant wants rejection. It's that the -- that the debtor will --

THE COURT: Will take --

MR. DIMITRIEF: -- utilize --

THE COURT: -- rejection in the event that a consensual agreement is not able to be reached prior to the time that an order goes into effect.

MR. DIMITRIEF: Exactly.

THE COURT: Okay. And then we don't disagree because I think that's what the consequence of 1113 is. Certainly up until the time the order goes into effect, there is the potential for entering into a consensual arrangement that will make the matter moot. But once the order goes into effect, then there is rejection of the agreement, not an

option to reject or not reject.

MR. DIMITRIEF: Once the order goes into effect --

THE COURT: Yes.

MR. DIMITRIEF: -- pursuant to its terms. And we would just ask the court to take that into account as we address whatever form of order is going to be entered based on what the court does, that's all.

THE COURT: Okay.

MR. DIMITRIEF: Two points, Your Honor. First, I think I have a question -- or an answer to the question that you asked, and it's based on the